



## **Canacol Energy Ltd. and Shona Energy Company, Inc. Announce Business Combination**

### **Leading Independent Proxy Advisors ISS and Glass Lewis Endorse the Canacol Energy and Shona Energy Plan of Arrangement**

**CALGARY, ALBERTA, December 6, 2012** – Canacol Energy Ltd. ("Canacol") (TSX: CNE; BVC:CNEC) and Shona Energy Company, Inc. ("Shona") (TSXV: SHO and OTCQX: SHOAF) are pleased to jointly announce that Institutional Investor Services (ISS) and Glass Lewis & CO. (GL), leading proxy advisory firms, have recommended that shareholders of Canacol and Shona vote in favour of the plan of arrangement under which Canacol will acquire all of Shona's outstanding shares.

The ISS report concludes that "in view of the expected strategic benefits and absence of any significant governance concerns, a favourable vote by shareholders for the merger is warranted".

The transaction will enable the combined company to take a leading role in Colombia's expanding energy market at a low entry price, resulting in an expanded reserves base and more diversified asset portfolio. Shona will add three conventional heavy oil exploration contracts to Canacol's extensive exploration position in the Caguan - Putumayo basin.

Both firms also endorse Canacol's proposal for a 1-for10 stock consolidation as part of the transaction. "Stock consolidations, while not immediately adding to shareholder value, should enhance the long-term growth prospects of the company by broadening its financing alternatives", ISS notes. "Continued low trading prices of the company's shares can put them below investment grade for many institutions, limiting the potential capital base for the company and its prospects for raising new capital as needed."

Reaffirming the ISS report GL concludes: "We agree with the board that it is in the best interest of the Company to reduce the number of shares outstanding and thereby attempt to proportionally raise the per share price of the Company's ordinary shares. Further, the share consolidation will have no substantive economic effect on shareholders, whose ownership percentage in the Company will remain unchanged. Having reviewed the proposal, we see no cause for shareholder concern. Accordingly, we recommend that shareholders vote **FOR** this proposal."

Welcoming the recommendations, Charle Gamba, Canacol's CEO and president, said: "The findings confirm our confidence that the transaction will strengthen our base with stable, low-cost production and associated cash flows under long-term sales contracts. These benefits will give the combined company easier access to capital and open up new consolidation opportunities, especially in Colombia."

James Payne, Shona's CEO and chairman, added: "We encourage our shareholders to vote in favour of the combination with Canacol. We see this as a great opportunity to take part in the continuing consolidation of oil and gas exploration and production in South America."

**Attention Canacol and Shona shareholders:**

**Be sure to vote your proxy before the respective deadlines:**

Canacol: Voting Deadline: Wednesday, December 12, 2012 at 9:00 AM (Calgary time)

For more information and assistance in voting your proxy, please contact Kingsdale Shareholder Services Inc. at 1-866-228-3049 or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).

Shona: Voting Deadline: Wednesday, December 12, 2012 at 9:00 AM (Houston time)

For more information and assistance in voting your proxy, please contact Kingsdale Shareholder Services Inc. at 1-866-229-8651 or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).

**About Canacol Energy:**

Canacol is an exploration and production company with operations focused in Colombia and Ecuador. Canacol shares trade on the TSX and the Colombia Stock Exchange under ticker symbol CNE and CNE.C, respectively.

**About Shona Energy:**

Shona is an international oil and natural gas exploration, development and production company focusing on South America, specifically Colombia and Peru. Shona's assets include interests in the Shona-operated Esperanza block located in Colombia's Lower Magdalena Basin, the non-operated Serrania, Los Picachos and Macaya Blocks in Colombia's Caguan Putumayo Basin, and the non-operated Block 102 in Peru's Marañon Basin.

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